

CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS
H.R. 4297 (S. 2020)
(Tax Relief Extension Reconciliation Act of 2005)

LEGISLATIVE HISTORY SUMMARY

HISTORY

The 5 states with veterans housing programs funded through tax-exempt Qualified Veterans Mortgage Bonds (QVMB) initiated federal legislation in the 109th Congress to remove certain restrictions in present law that prevented proceeds from these bonds from being used to fund loans for recent war veterans.

H.R. 2952 was introduced by Congressman Paul Ryan (WI) in June 2005 with the support of Congressman Wally Herger (CA). The primary purpose of the bill was to bring equity back to the QVMB housing programs by treating all wartime veterans equally instead of discriminating against recent (and future) war veterans who fought the war against terrorism. Use of these tax-exempt bonds is important because it allows us to offer below-market interest rates to help make home ownership more affordable.

Under current law, California can issue up to \$340 million in QVMB bonds each calendar year to fund loans for wartime veterans with service prior to January 1, 1977, who apply for a loan within 30 years from the date of separation from active duty. H.R. 2952 would have eliminated the 1977 date, changed the 30-year limit to 25 years, and reduced California's annual cap (amount we can issue) to \$265 million. The 1977 date is the provision of the Internal Revenue Code that we would most like to have changed, so conceding a cap reduction was acceptable.

The language of H.R. 2952, with substantial changes, was incorporated into **H.R. 4297**, the Tax Relief Extension Reconciliation Act of 2005. H.R. 4297 passed in the U.S. House of Representatives on December 8, 2005. Unfortunately, the language was altered substantially in order to reduce the cost of the bill. Although the 1977 date was removed, the volume caps for the states were reduced significantly and put on an ascending scale over 5 years, starting at \$13.25 million in the first year. **A sunset provision was also added whereby the state's ability to issue QVMB bonds after 2010 would cease. These new provisions are unacceptable!**

IMPACT IF HR 4297 PASSES IN ITS PRESENT FORM

More veterans will be eligible for QVMB money, but significantly less money will be available to fund loans. We would only be able to issue \$13.25 million the first year, \$26.5 the second year, and so on, up to \$66.25 the fifth year. In 2010, the Program would "sunset", and no further QVMB bonds could be issued to make loans to veterans. Considering California's housing costs, this small amount of funds would only serve an estimated 25 to 127 veterans per year (based on current maximum loan limits), then virtually none after 2010. Although we currently have approximately \$485 million in voter-approved authority that could be used for new loans under existing law, without a change in the language of H.R. 4297, we would lose the ability to use most of this authority because of the low statutory volume caps.

WHAT IS THE SOLUTION?

Veterans should contact their federal representatives (House and Senate) and let them know they do not support Section 303 of H.R. 4297 in its present form. They should request that the bill be amended to eliminate the 2010 sunset date, include transitional language that would allow us to retain the use of our existing \$485 million voter approved bond authority without the restriction of the 1977 date, and increase the volume caps.

Passage of HR 4297, if amended, would comply with the will of the voters. California voters have overwhelmingly supported all 26 CalVet bond acts since 1921. More than 416,000 California wartime veterans have benefited from these funds, and over 2 million potentially eligible veterans currently reside in California.